

Implications of Donald Trump's presidency for India

1) Introduction

- Donald Trump fought a bitter political battle to be elected as the 45th president of the world's oldest democracy.
- India's past experiences with US presidents show that a Republican president is generally better for us than a Democrat one.
- But in recent history, Indo-US relations have broadly stuck to a steady path — starting with Democrat Bill Clinton to republican Gorge W. Bush to Democrat Barack Obama.
- Trump's policy to India is expected to be positive and welcoming, continuing the trends and direction in the relationship established over the last decade.
- His ties with the Indian-American community and his general view that “India is doing great” suggest that he is well inclined to further cement the India-U.S. partnership.

2) Strategic Relationship

- In fact, it is feared that his soft approach towards Russia may force him to reconsider US policy towards China and that can have serious consequences for India.
- Trump has already visited India, announced his enthusiasm for the Modi government and vowed to invest in big projects here.
- Trump also stressed that if his government comes to power, US and India will have strongest friendship.
- Trump criticised China throughout his campaign, described it as one of the US's top adversaries. That could make for an advantage to India.
- He said he would label China a currency manipulator and impose heavy tariffs if China didn't agree to rewrite trade agreements.
- He labelled Pakistan as semi-stable and a safe haven for terrorists.
- This could mean the continuation of US' Pivot to Asia policy where India is seen as a counterbalance to China.

3) Indian Economy

- Trump promised to lower taxes and increase military expenditure.
- It is assumed that to fulfil these promises, Trump will use government money that may lead to a debt burden and a falling dollar.
- And a recession in US, would obviously adversely affect investment and growth across the world, including India.

4) Terrorism

- Mr. Trump is a proclaimed opponent of terrorism and his approach to Pakistan and its support of terror groups will be no-nonsense and adversarial.
- Trump has openly expressed dislike for Pakistan. He's really suspicious of the country
- "India is the check to Pakistan," he once said in an interview, reportedly.
- "You have to get India involved ... They have their own nukes and have a very powerful army. They seem to be the real check." says Trump
- This distrust for Pakistan can work in India's and the world's favour.
- Trump's hard stance on terrorism could also result into deeper Indo-US defence and strategic ties.
- Closer defence ties might give a further push to Indo-US business ties as well.

5) pharmaceutical sector

- Indian pharmaceutical stocks breathed a metaphorical sigh of relief after Donald Trump won the US presidential election.
- Generic drugs account for 88% of prescriptions dispensed in the US
- The US remains a critical market for Indian companies and their profitability in particular is linked to how they perform in this market
- Unlike Hillary Clinton, who has been very critical of drug companies that raise the prices of old drugs to boost profits, Donald Trump is seen as less of a threat to the sector
- they will be very open to free market pricing rather than controlling prices

6) Immigration

- There are numbers of Indian immigrants or new entrants into the U.S. whose status may be called into question.
- He expects to curb both legal and illegal immigration.
- The issue of H-1B visas for IT professionals from India has been a vexed one also in recent years mainly due to nativist politics practised in the U.S. Congress
- The removal of this visa will have a disastrous effect on the Indian software companies which send some of their staff to work on-site with their clients in the U.S. through the H-1B visas.
- Although Trump wants to put stricter immigration rules, he also says he wants to woo Indian entrepreneurs and students to the US.

7) labour and trade

- Trump sincerely believes that the world is robbing the Americans of their jobs and thus, wants to close its doors to trade.

- To do so, he plans to implement tariffs and quotas. Any tariff that Trump proposes to either China or Mexico will affect India as well.
- On issues of labour and trade, Mr. Trump is a protectionist and has come to power on a platform of restoring livelihoods for unemployed Americans
- Also, many a times, Trump has also expressed his displeasure on the work that is outsourced by America to India.
- Trump's promise to reduce the US corporate tax rate from 35 per cent to 15 per cent could result in companies like Ford, General Motors and Microsoft rushing back to the US.
- This rush of US firms will hit India's Make in India push.

8) The Energy Plan

- Trump has promised to unleash America's shale oil, natural gas and coal reserves to make U.S energy self-sufficient.
- He has also promised to open onshore and offshore leasing on federal lands and lift the moratorium on coal leasing.
- Opening up of the US oil sector could open massive business opportunities for Indian oil companies

9) Scrapping Obamacare

- Trump has vowed to scrap the scheme aimed at providing affordable healthcare to Americans.
- Pharmaceuticals constitute the second biggest exports of India to the U.S.
- India's strength in manufacturing affordable generic drugs complemented the objectives of Obamacare.
- Five years of Obamacare more than doubled pharma exports from India to the U.S to \$66 billion.
- If Trump implements his promise to junk Obamacare, Indian drug companies could be severely hit.
- Indian IT companies which provide support to the program could also end up losing their business that could lead to job cuts in India.

10) Challenges

- Trump's views on the most important achievement of India-US ties in the last 15 years, the India-US civilian nuclear deal, are a complete unknown.
- It is not clear if he knows other details about the complex and difficult relationships in South Asia.
- If companies in the US are forced to limit outsourcing, there may be a bigger risk for Indian companies.
- The other risk is that more countries may get protectionist now. For instance, the UK increased the salary threshold for visas to discourage entry-level immigration.

11) Conclusion

- Prime Minister Narendra Modi has to take the initiative to reach out to Mr. Trump so that the American President-elect is sensitised to the strategic interests that bind India and the U.S.
- The 'golden hour' to do this may be even before the inauguration of the new President in January 2017.



INSIGHTSIAS
SIMPLIFYING
IAS EXAM PREPARATION